

Frequently Asked Questions

You're a teacher, and the students you educate today will pilot our tomorrows. California's success depends on keeping you – the best and brightest – in the classroom. Because your work shapes the state's future, our Governor and Legislature created a tax credit to encourage you to stay in the profession and to partially repay you for your out-of-pocket classroom expenses.

This incentive may allow you a state income tax credit up to \$1,500 for teaching a kindergarten through 12th grade curriculum in a California qualifying educational institution.

The credit is based on your years of service as a credentialed teacher. It is limited to 50 percent of the tax imposed on your earnings from teaching. First offered in 2000, the credit was not available for 2002. It is applicable for 2003 and subsequent years. Here is a simple chart showing the credits:

TEACHER RETENTION CREDIT

If you've taught for:	Your credit is up to:
At least 4 years but less than 6 years	\$250*
At least 6 years but less than 11 years	\$500*
At least 11 years but less than 20 years	\$1,000*
20 years or more	\$1,500*

***Note:** The credit cannot exceed 50% of the tax on your wages and salaries for teaching.

This fact sheet answers questions most commonly asked by teachers and practitioners about California's Teacher Retention Credit. The credit is governed by California Education Code Sections 33190 and 33191.

What are the requirements to claim the credit?

You can claim the credit if all the following are true:

- **You hold a *preliminary or professional clear teaching credential*.** Preliminary and professional clear teaching credentials are the normal credentials required of teachers in California's public education system. The California Commission on Teacher Credentialing issues them. For purposes of this credit, similar credentials issued by other states also qualify.
- **You're currently teaching at a qualifying educational institution.** A qualifying educational institution is an elementary, secondary, or vocational technical school located in California providing education for students from kindergarten through 12th grade curriculum. This includes schools operated by an agency or instrumentality of the federal government on Indian reservations or military installations located in California, and private schools located in California that qualify under Education Code Sections 33190 and 33191.
- **You've completed at least four years of credentialed teaching at a qualifying educational institution.** Take a reasoned approach in determining how many years you've taught. If you haven't been a full-time teacher since getting your original credential, calculate the equivalent number of full-time years you've taught. Keep in mind that you can only consider your time spent teaching K-12th grade curriculum in a U.S. school for this credit. A good starting point might be the number of years of credit allowed you by your retirement administrator, less any retirement credit for periods when you were not in a K-12 teaching assignment or were teaching out of the country. For example, if you worked as a K-12 teacher for five years, then as an administrator for three years, then returned to K-12 teaching for two years, you would likely show ten years credit toward retirement. However, you could only count seven years toward this credit.

The worksheet at the top of the next column may help you determine your eligible years of service. List each credentialed teaching job you've held since you earned your preliminary or professional clear credential, the period you worked there, and the number of years credit your school allowed you for that period.

Name of School	Inclusive employment period ¹		Years of Teaching Service ²
	Start	End	

¹ Include only the years you taught grades K-12 curriculum while holding the preliminary or professional clear credential. Exclude non-teaching periods and years teaching out of the country.

² Include fractions.

Does time teaching with an emergency teaching permit (also referred to as an emergency credential) count toward the service credit?

No. Emergency teaching permits issued by the commission are not the same as preliminary or professional clear teaching credentials and do not qualify the holder for service credit or for the tax credit.

Do the years I taught in an out-of-state K-12 school count toward my service credit?

Yes. You can claim service credit for years you were both credentialed by the public education agency of that state and teaching in a qualifying educational institution of that state, as long as you meet the other qualifications. Years teaching in another country do not count.

I've held my credential for many years but only taught a few of those years. Which years do I use to determine my credit?

Your service credit equals the number of years you actually taught while holding a preliminary or professional clear teaching credential. You can calculate it using the worksheet on the previous page.

What wages and salaries qualify for the Teacher Retention Credit?

The taxable wages and salaries you earned for your teaching activities at a qualifying educational institution qualify for the credit. Don't include wages and salaries for non-teaching assignments such as administration, counseling, and coaching.

I'm a credentialed teacher at a private school. Do I qualify for the credit?

Yes, if your school is a qualifying educational institution and you meet the other requirements.

Do administrators and coaches who have “classroom teaching duties” qualify?

Yes, but they must exclude wages and salaries related to non-teaching duties such as administration, counseling, and coaching, when computing the credit. They can use only that portion of their taxable wages that are attributable to teaching duties.

If I have other duties besides credentialed teaching, how do I calculate the credit?

You must refer to your employment agreement to determine that portion of your salary or wage attributable to teaching. If you do not have an employment agreement or your agreement does not delineate salaries for different duties, then you must make a reasonable determination based on all relevant facts and circumstances.

I receive a pension from teaching. Do I qualify?

No. The credit only offsets taxes on wages and salaries from active teaching assignments. Pensions or other deferred compensation are specifically excluded.

Are there any other tax implications I should know about?

This is a non-refundable tax credit. You can't carry it over to future years and you must claim it and other credits in the order specified by law. Basically, that means you can't shift credits around in order to move carry-over credits to the end.

How do I claim the Teacher Retention Credit?

You can claim the credit on your California income tax form (540 or 540NR). You'll need to complete the Teacher Retention Credit form (FTB 3505) to determine how much you can claim. Just follow the step-by-step instructions provided with the form to calculate the amount you'll save on your state income tax. When you've completed it, transfer the calculated credit amount to:

- Line 28 or 29, if you use Form 540, California Resident Income Tax Return.
- Line 37 or 38, if you use Long Form 540NR, California Nonresidential or Part-Year Resident Income Tax Return.

The Teacher Retention Credit claim form (FTB 3505) asks for the date I received my credential and for the credential number. Can you be more specific?

For the date, enter the year you received your first teaching credential in California or in another state. If that date is not available, you may use the date from your current credential. For the credential number, enter the number on your current or original credential. We may ask you to verify your teaching credentials and related years of service, so please keep copies with your tax records.

Can you provide me some examples?

Yes. There are two examples on page 4 (the back page) of this publication.

Related Forms and Publications

Teacher Retention Credit (Form 3505): This is the form and instructions for claiming the tax credit on your state income tax return.

Where Do I Get More Information?

Internet

You can get the Teacher Retention Credit forms and other information about your state income tax from our Website: www.ftb.ca.gov.

Telephone and Internet Assistance

From within the United States,
call (800) 852-5711
From outside the United States,
call (not toll-free) (916) 845-6500
Website at www.ftb.ca.gov

Assistance for persons with disabilities: We comply with the Americans with Disabilities Act. Persons with hearing or speech impairments please call TTY/TDD (800) 822-6268.

Mail

You can also order these forms by writing to:

TAX FORMS REQUEST UNIT
FRANCHISE TAX BOARD
PO BOX 307
RANCHO CORDOVA CA 95741-0307

SAMPLE COMPUTATIONS OF THE TEACHER RETENTION CREDIT

This single, credentialed classroom teacher earns \$35,000 per year and has taught for five years.	
Taxable teacher salary or wages	\$35,000
Adjusted gross income	35,000
Standard deduction	-3,070
Taxable income	31,930
Tax	1,144
Personal exemption credit	-82
Total tax	1,062
<i>Teacher retention credit</i> ¹ : Lesser of \$250 or: $(35,000/35,000) \times 1,124 \times 0.5 = 562$	-250
Tax due after <i>Teacher Retention Credit</i>	\$812

This is a married couple. Both are credentialed classroom teachers, one teaching 22 years, the other teaching for five years. The couple has an additional \$25,000 income from other sources.	
Husband's taxable teacher salary or wages	\$48,000
Wife's taxable teacher salary or wages	32,000
Other community income	25,000
Adjusted gross income	105,000
Standard deduction	-6,104
Taxable income	98,860
Tax	5,365
Personal exemption credit	-164
Total tax	5,201
Husband's <i>Teacher retention credit</i> ¹ : Lesser of \$1,500 or $(48,000/105,000) \times 5,363 \times 0.5 = 1226$	-1,266
Wife's <i>Teacher retention credit</i> ¹ : Lesser of \$250 or $(32,000/105,000) \times 5,363 \times 0.5 = 817$	-250
Tax due after <i>Teacher Retention Credit</i>	\$3,685

¹ The lesser of credit based on years of service or one-half of classroom salary divided by adjusted gross income (cannot exceed 1.0) times tax before credits. Please see form and instructions for details.